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**FISCAL IMPACT STATEMENT**

**LS 7667**

**BILL NUMBER:** HB 1546

**NOTE PREPARED:** Feb 14, 2005

**BILL AMENDED:** Feb 14, 2005

**SUBJECT:** Research Grants and Loans.

**FIRST AUTHOR:** Rep. Espich

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill indicates that money from the Twenty-First Century Research and Technology Fund may be used to provide grants and loans for research facilities. The bill authorizes the Development Finance Authority to issue \$1,000,000,000 in bonds to provide funding for the Twenty-First Century Research and Technology Fund. The bill exempts all state educational institutions, except Ivy Tech State College and Vincennes University, from obtaining the approval of the General Assembly to issue bonds for research facilities if the facilities will generate sufficient revenues to meet debt service. The bill also provides for the Chairman of the Development Finance Authority to annually certify to the General Assembly the amount of money needed to pay debt service and maintain adequate reserves to pay debt service.

**Effective Date:** Upon passage; July 1, 2005.

**Explanation of State Expenditures:** (Revised) *State Research Grants and Loans:* The bill authorizes the Indiana Development Finance Authority (IDFA) to issue bonds without approval of any state agency, the proceeds of which are to be deposited in the Indiana 21<sup>st</sup> Century Research and Technology Fund. The bond proceeds would be used by the 21<sup>st</sup> Century Research and Technology Fund Board to make grants and loans for research and technology purposes as specified under current statute. The bill adds a provision stating that the purposes of grants and loans by the Board includes projects to construct and equip research facilities. Under the bill, the IDFA is authorized to issue bonds beginning in FY 2006 but not after the end of FY 2011. The bill limits the total amount of outstanding bonds issued by the IDFA for the 21<sup>st</sup> Century Research and Technology Fund to \$1,000 M; and limits annual issuance to \$200 M. The bill provides that the bonds are to be paid solely from money pledged or available for bond payment. The bill also specifies that the bonds are not a debt, liability, loan of the credit, or pledge of the faith and credit of the state or of any political subdivision.

The bill does not make an annual appropriation to pay the debt service on these bonds. However, it provides for all of the following:

(1) Authorizes the IDFA to establish reserve funds for each issue of bonds in which any appropriations by the General Assembly for debt service are to be deposited.

(2) Authorizes the General Assembly to make annual or biannual appropriations to the IDFA for deposit in the reserve funds in an amount, as certified by the Chairman of the IDFA, that is sufficient to pay the debt service on the bonds or to restore the reserve funds to the required debt service reserve levels.

(3) Requires the Chairman of the IDFA to annually certify to the General Assembly the amount required to pay debt service on the bonds or restore the reserve funds to the required debt service reserve levels.

If the IDFA issues bonds pursuant to this bill, the bond issuance authorization in the bill along with the provisions described in (1) to (3) above, creates a moral obligation for the state to pay debt service on the bonds, if the revenue stream pledged to the payment of the bonds is ultimately insufficient to pay the debt service. Assuming a 4% interest rate and a payback period of 20 years, annual debt service payments on a \$200 M bond issue would total about \$14.7 M annually.

*University Bond Issuance:* The bill authorizes the trustees of Indiana University, Purdue University, Indiana State University, the University of Southern Indiana, and Ball State University to issue bonds without the approval of the General Assembly to construct and equip research facilities at any of their campuses, provided research activities at these facilities will generate revenues from various sources at least equal to the annual debt service for the outstanding bonds. As a result, this provision will not require fee increases by, or increases in state funding to, the universities for purposes of financing these projects.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Development Finance Authority; Indiana 21<sup>st</sup> Century Research and Technology Fund Board; State Budget Agency; Indiana University; Purdue University; Indiana State University; the University of Southern Indiana; and Ball State University.

**Local Agencies Affected:**

**Information Sources:**

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